



Commonwealth of Massachusetts Office of the Comptroller

FY2008/FY2009 Annual Close/Open Meetings

May 13 Federal Reserve Bank Boston

May 15 Hoagland Pincus Conference Center Shrewsbury



Agenda

- Introduction
- ANF Presentation
- Appropriation Management
- Federal Grants
- PCI
- E-Pay
- Financial Reporting
- Enterprise Security
- Customer Service Survey
- Quality Assurance
- Payroll/LCM
- Accounts Payable



Closing / Opening Information

- <http://www.mass.gov/osc>
 - Closing / Opening Instructions
 - Key Date Matrix
 - Close / Open Workshops and Webcasts
 - C/O for Beginners
 - C/O Federal Grants



Martin Benison

Comptroller



Topics

- Single Audit
- HRCMS
- Discounts
- PayInfo

FY07 Audit Overview

- Change in auditors presented a challenge
- Key success metrics met
 - Reporting deadlines achieved
 - Financial statements unqualified
 - Federal QCR – unqualified
- KPMG: A fresh look at MA
- Partnership with SAO developed quickly



FY07 Audit Process

- Started late
- Department satisfaction mixed
- Procedures with depts not always clear
- Communication did not always live up to expectations
- Commonwealth accrual development and assurance for financial systems needs strengthening



FY08 Audit Process Improvements

- Focus on departments with most concerns
- Improve communication protocols
- Formal department status meetings at least monthly
- Key parties join monthly management meeting
- OSC/department increased focus on Major accruals



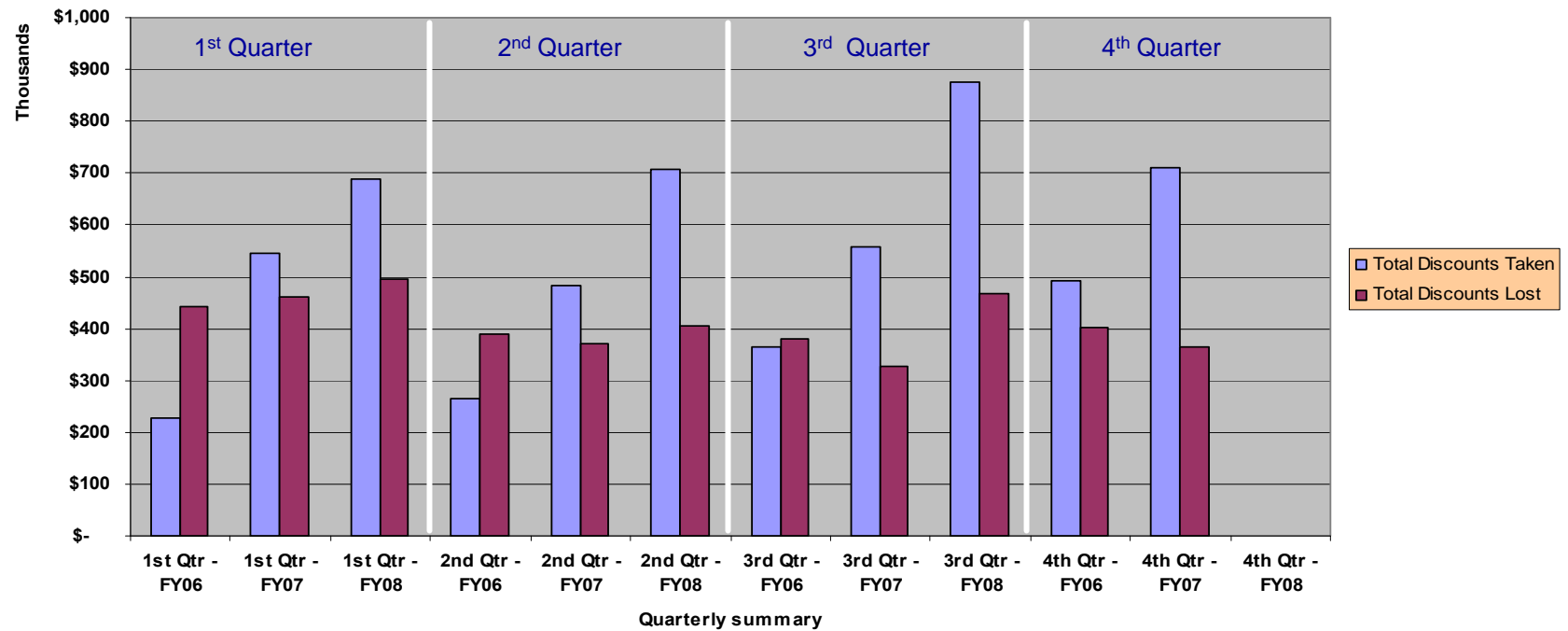
HRCMS

- Upgrade budgeted in IT Capital Bond
- Included within the Bond Cap

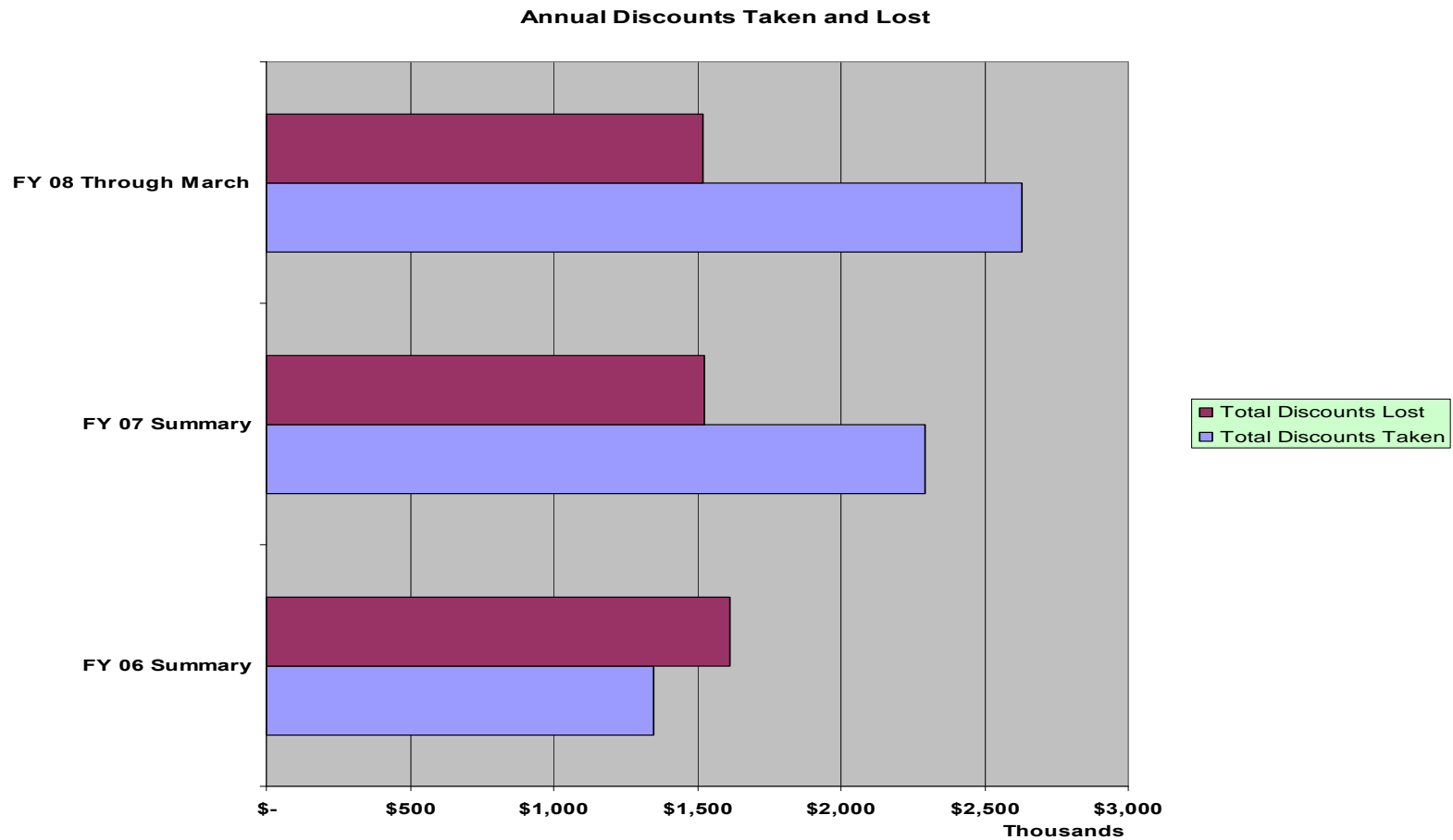


Discounts

Discount Trends

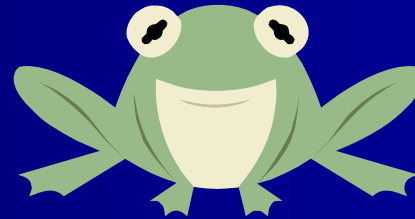


Discounts





PayInfo Campaign




Kermit was wrong— it is easy
being green



PayInfo Statewide Implementation

- 96% of employees on direct deposit
- New PayInfo features
 - 40 Payperiods of data available
 - New look and technology
 - W-2 employee reference copy
 - Updated instructions



Good for the Employee and Can Save Money

- **\$5.50** Per employee cost savings by eliminating personnel time to sort and deliver paychecks
- **\$1500** Average savings per location based on pick-up and delivery of checks and miles driven/year
- **\$0.35** employee per pay period TRE savings based on an average to print and distribute checks
 - **Statewide Total Savings = \$2.4M**



Eliminating printed pay advices would save 240 Trees a Year

SOME TYPICAL CALCULATIONS*

- A "pallet" of copier paper (20-lb. sheet weight, or 20#) contains 40 cartons and weighs 1 ton
- Therefore,
 - 1 carton (10 reams) of 100% virgin copier paper uses .6 trees
 - 1 tree makes 16.67 reams of copy paper or 8,333.3 sheets
 - 1 ream (500 sheets) uses 6% of a tree (and those add up quickly!)

Departments Gone Paperless!



Name

suppressed

■	ANF	EXEC OFFICE FOR ADMIN AND FINANCE	41
■	BER	BERKSHIRE DISTRICT ATTORNEY	53
■	CDA	EMERGENCY MANAGEMENT AGENCY	83
■	CJC	JUDICIAL CONDUCT COMMISSION	6
■	DAC	DISABLED PERSONS PROTECTION COMMISSION	29
■	DIA	DEPARTMENT OF INDUSTRIAL ACCIDENTS	265
■	DLR	DIVISION OF LABOR RELATIONS	27
■	DOR	DEPARTMENT OF REVENUE	2397
■	ELW	EXEC OFFICE OF LABOR & WORKFORCE DEVELOPMENT	18
■	EOL	DEPARTMENT OF LABOR & WORKFORCE DEV	1167
■	EPS	EXECUTIVE OFFICE OF PUBLIC SAFETY	90
■	EQA	EDUCATIONAL QUALITY & ACCOUNTABILITY	7
■	HRD	HUMAN RESOURCES DIVISION	123
■	HST	HEALTH CARE SECURITY TRUST	1
■	ITD	INFORMATION TECHNOLOGY DIVISION	312
■	MCC	MIDDLESEX COMMUNITY COLLEGE	358
■	MHL	MENTAL HEALTH LEGAL ADVISORS	10
■	OSC	OFFICE OF THE COMPTROLLER	133
■	SCA	OFFICE OF CONSUMER AFFAIRS & BUS REG	31
■	SDA	SHERIFF'S DEPARTMENT ASSOCIATION	3
■	SUF	SUFFOLK DISTRICT ATTORNEY	255
■	TRB	TEACHERS' RETIREMENT BOARD	94
■	WES	WESTERN DISTRICT ATTORNEY	138



EMPLOYEES ARE CHOOSING TO SUPPRESS!

**Go Paperless and come to PayInfo
anytime to check the status of your pay.**

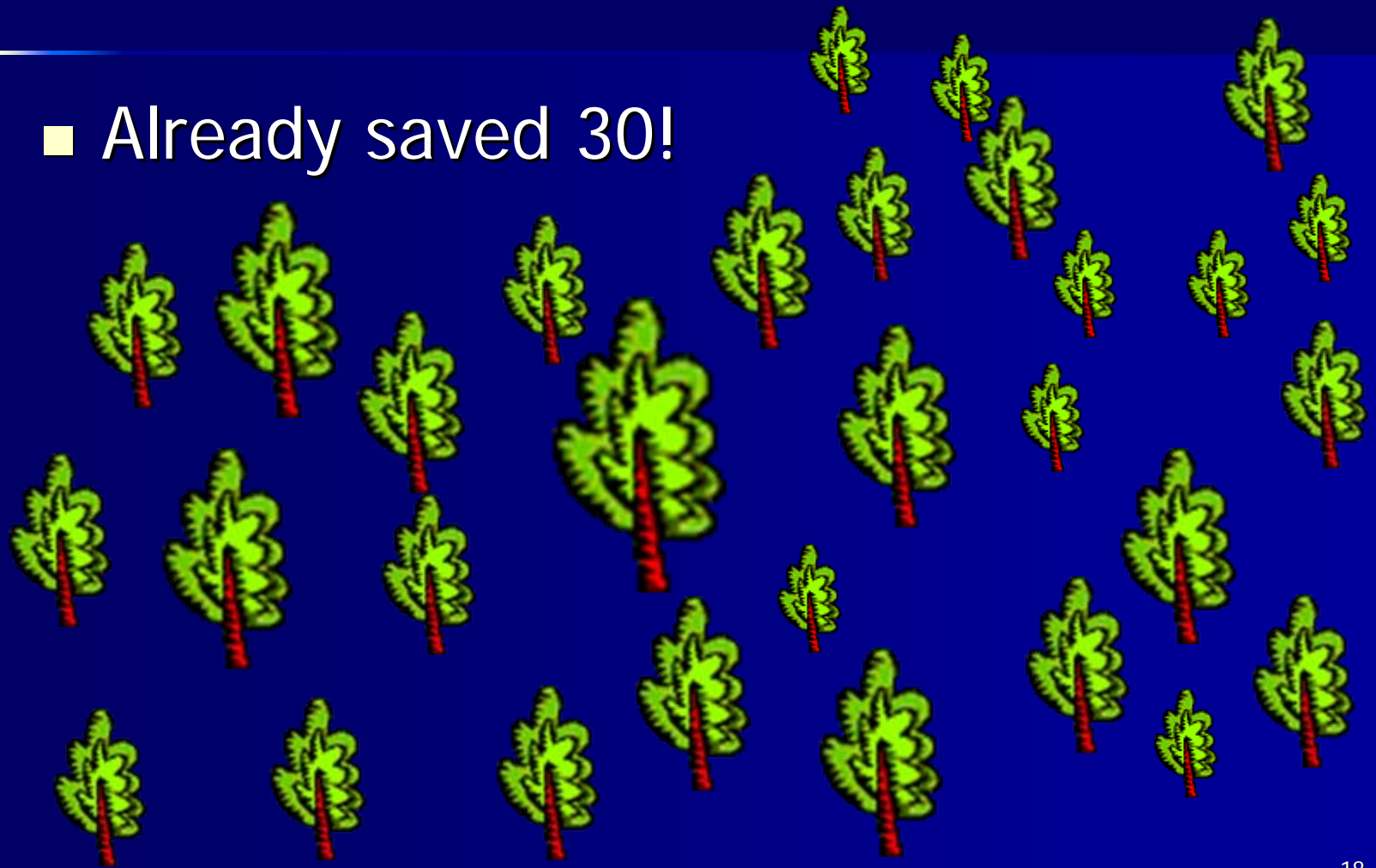
**If you like the idea of receiving your
Payroll Remittance online, why continue
to receive paper remittance every two
weeks?**

Click on the

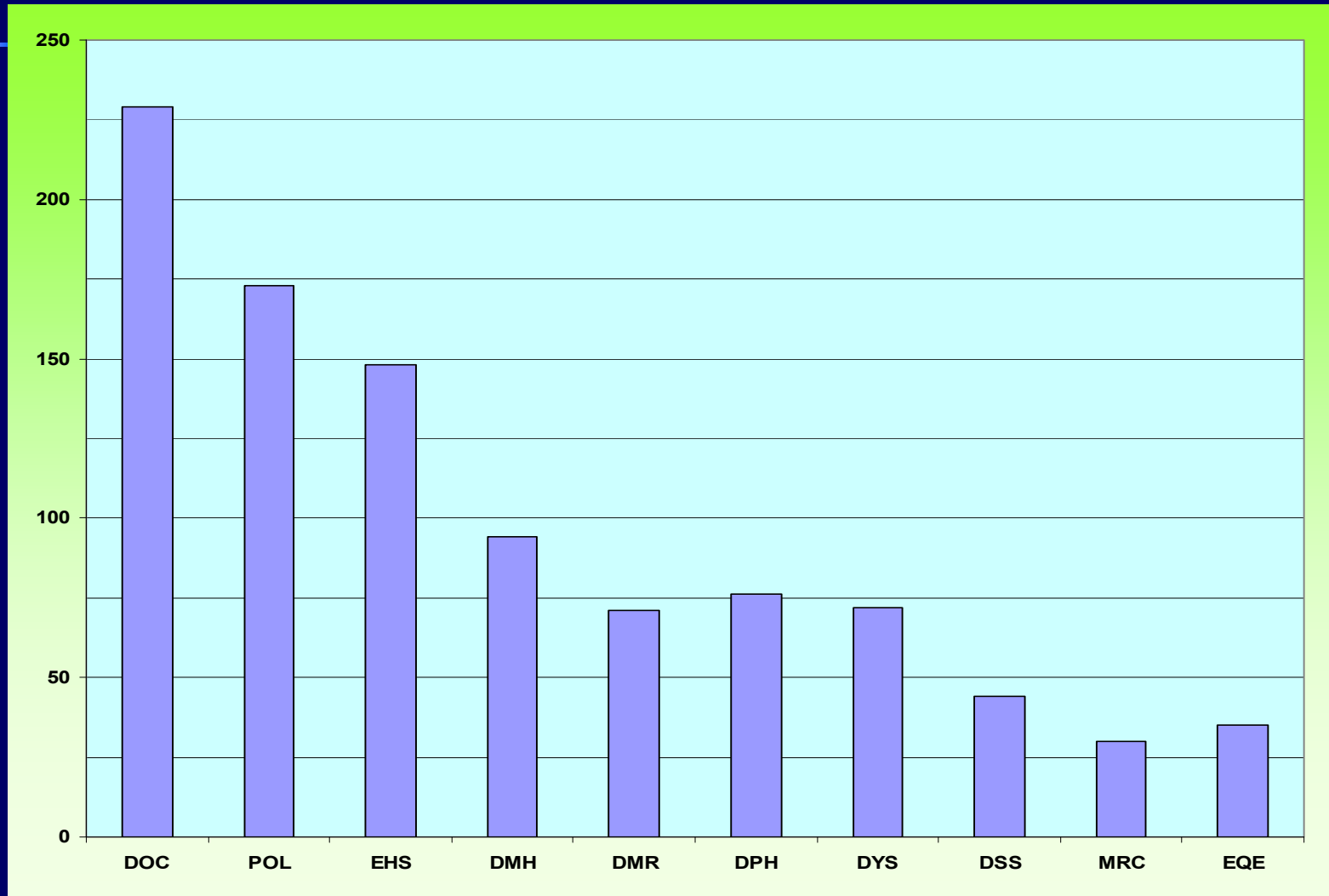
Go Paperless Now!
button for more information!

Saving Trees

- Already saved 30!



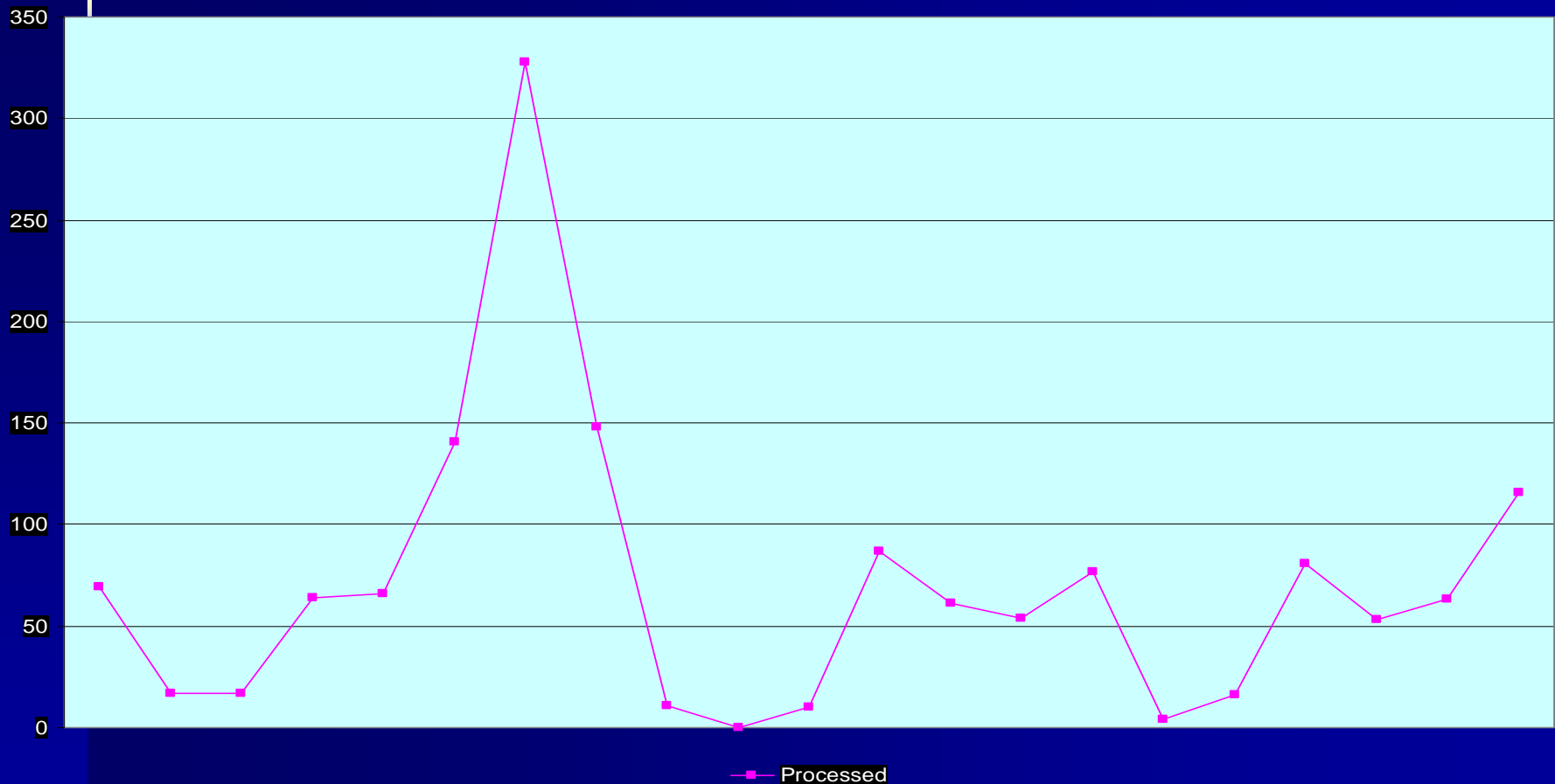
Top Ten Departments



DAILY PAYINFO REQUESTS

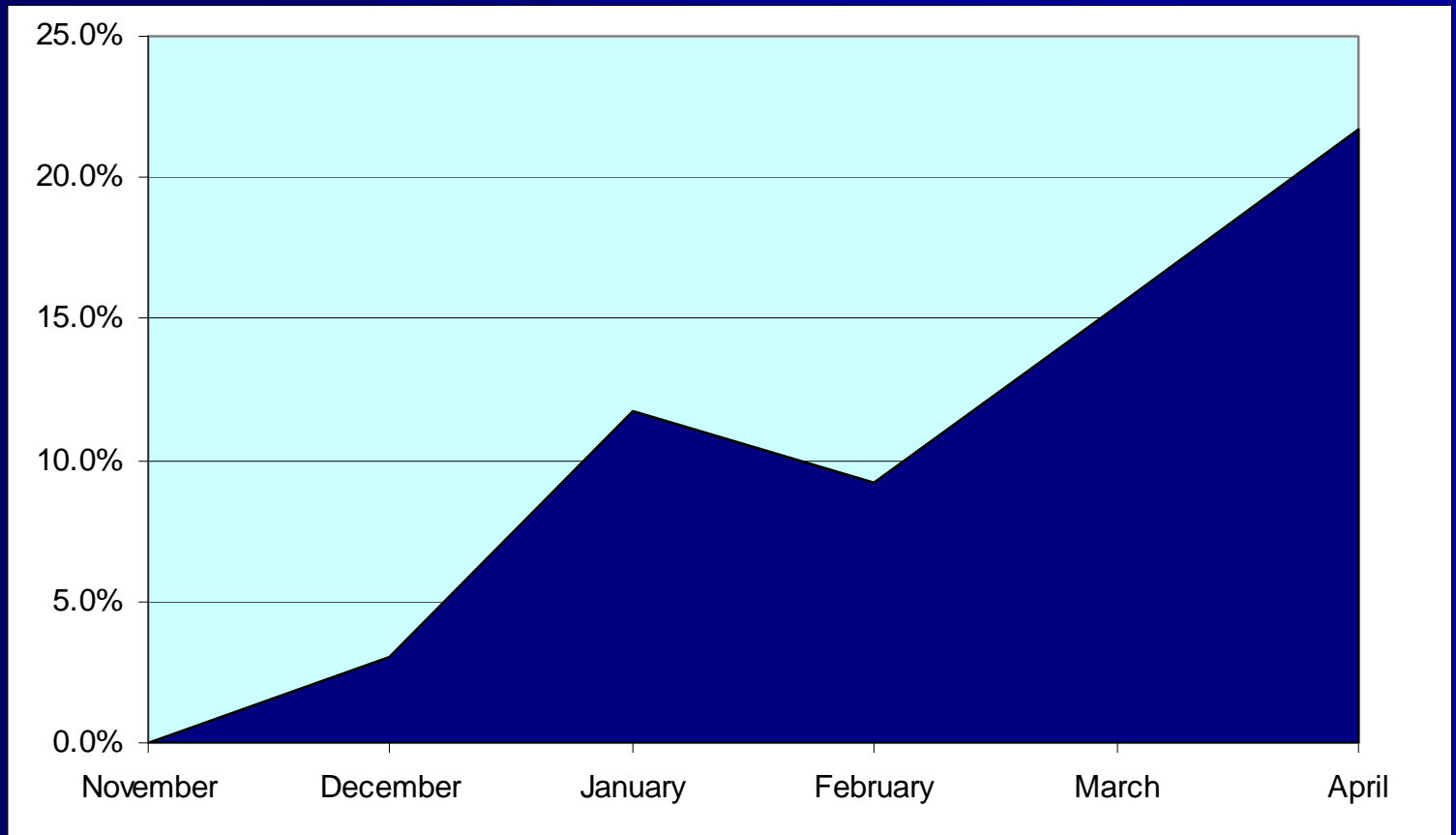


Go Paperless Requests



April 11 – May 1, 2008 (Daily)

Percent Increase from Prior Months





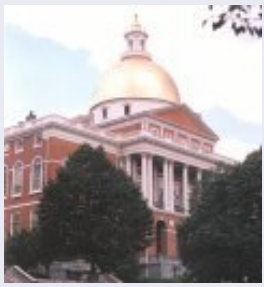
Leslie Kirwan

Secretary of Administration and Finance



Matt Gorzkowicz

Assistant Secretary for Budget

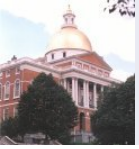


Executive Office for Administration and Finance

State House
Rooms 373 & 272
Boston, MA 02133

FY08 Update & FY09 Planning

Comptroller's Annual Close/Open Meeting

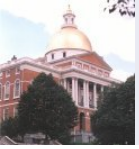


Agenda

- FY08 Update
 - Spending and Revenue
 - Drivers
 - Additional Risks
 - Revenue Outlook for Remainder of FY08
 - Spending Controls

- FY09 Planning
 - House and Senate Budgets

- FY10 Planning



FY08 Summary of Spending & Revenues

Fiscal Year 2008	FY08 GAA	FY08 Through April	Variance
Fiscal Year 2008 GAA	26,771	26,771	-
Veto Overrides	37	37	-
PAC from Fiscal Year 2007 into 2008	-	343	343
Year-to -Date Supplementals Passed	-	165	165
Pending Deficiencies	-	133	133
Potential Reversions and PAC's Into FY09	-	(194)	(194)
Total Projected Spending	26,808	27,255	
Consensus Tax Revenue	19,825	20,225	400
Over Benchmark - (through April)	0	702	702
Federal Reimbursement*	6,341	6,442	101
Departmental Revenue*	2,427	2,381	(46)
Other Consolidated Transfers*	733	(68)	(801)
Total Projected Revenue	29,326	29,682	
Less MBTA	(756)	(756)	-
Less SBA	(635)	(635)	-
Less Pensions	(1399)	(1399)	-
Total Available Revenue	26,536	26,893	

* Revenue categories have been readjusted from the GAA to reflect where the funds are actually collected.



Drivers Affecting FY08 Balance

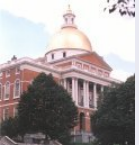
Drivers adding pressure to FY08:

- Major Changes to Consolidated Transfers¹:
 - Health Care Reform (\$273 M)
 - Medical Assistance Payment/Deferrals (\$267 M)
 - Lottery (\$124 M)
 - State Retiree Benefits Trust Fund (\$11.5 M)
- \$83 M - Snow & Ice
- \$29M – Group Insurance Commission
- \$40M – Various Caseload Driven Accounts
- \$30M - Public Counsel Services

Drivers that help FY08:

- \$400M - October consensus revenue revision
- \$369M - Exceeding benchmark since October
- \$333M - April revenue collections
- \$194M - Estimated reversions

¹ Total of these items does not tie out with table on preceding page due to increases/decreases of other consolidated transfers.

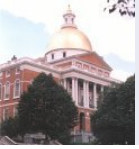


Additional Risks to FY08

- Additional spending items that could be added in the legislative process (could be done through separate legislation – not just supplemental bills).
- Tax revenues coming in below benchmark for May or June; some of the increased tax revenue received in April can be attributed to faster processing and more than likely will be offset in May revenue collections.
- Pressure to fund additional supplemental requests that we have not proposed to fund.
- Pressure to make health care related payments that could result in federal reimbursements being deferred.
- May not be any surplus funding for other priorities at the end of the year.

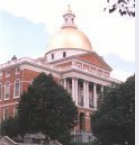
Continued reliance on one-time revenues

- Currently the fiscal year 2008 budget relies on \$604 million in Stabilization and Health Security Trust Revenues to achieve balance.
 - Fiscal year 2008 will be the first year since that last fiscal downturn that the budget will be balanced using reserves. There is risk that we would further draw on Stabilization on the verge of a potential recession.



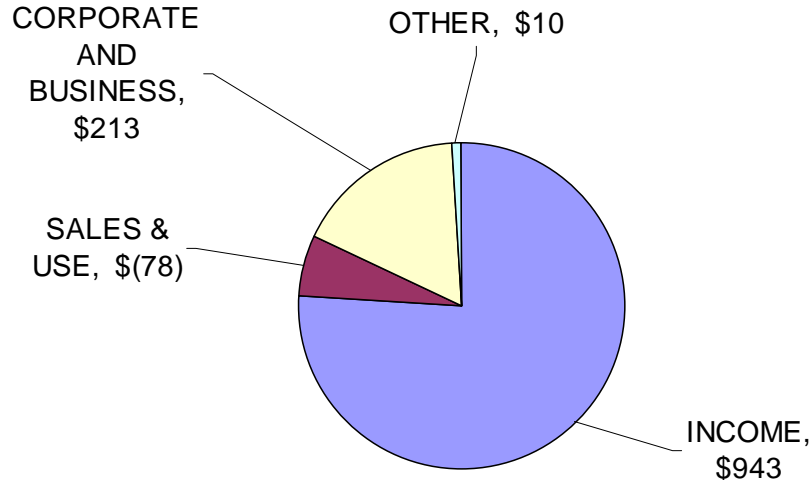
Past Economic Activity As Reflected in April Revenues

- It is important to note that approximately **\$218** million of additional revenue comes from one-time settlement payments that will not re-occur in fiscal year 2009.
- While total tax collections were up \$333 million above the April monthly benchmark, and Massachusetts continues to outperform most other states this is due largely to strong performance of the financial markets in the first half of calendar year **2007**. What we are seeing reflects past economic activity and cannot be used to determine future economic growth.
- Robust April figures were largely fueled by investors who apparently experienced sizeable income growth in 2007, before the national economy began to decline. This kind of revenue growth is extremely volatile and is not likely to carry forward given current economic indicators.
- Faster processing of tax returns netted up to **\$70** million in income that would otherwise have counted in May. As a result of the faster processing, May revenue collections could come in below benchmark for the month.

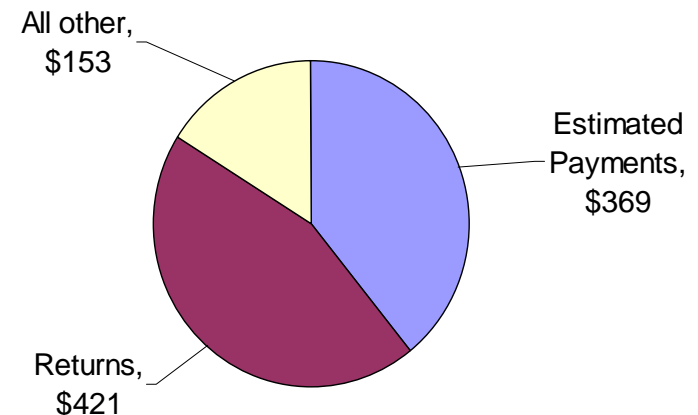


Additional \$1.1 Billion in Revenues are Highly Volatile and Non Reoccurring

Fiscal Year 2008 Year-to-date
Revenues Over Benchmark = \$1.1
Billion



Fiscal Year 2008 Year-to-date Income
Tax Revenues Over Benchmark =
\$943 Million



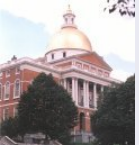
- \$800 million of the above-benchmark performance, compared to the \$19.825 billion benchmark, is due to higher-than-projected investment income (capital gains and interest/dividend income) as reflected in estimated payments and payments with final returns.

- \$218 million, the remainder, is from one-time tax settlements that came in during the months of February and March and are reflected in corporate and business taxes.



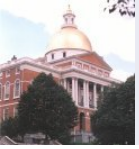
Forward Economic Indicators Reflected in April Revenues

- Decline in withholding tax and minimal growth in sales and use tax revenues (current indicators of the state of the economy) are warning signs about revenues for next year.
- Continued deterioration of the economy from the end of calendar year 2007 through 2008 and projections for the remainder of the current fiscal year and FY 09 remain uncertain.
- April will **not** lead to a surplus in fiscal 2008 and the investment income that caused the revenue increase is unlikely to continue and offset the weakness in withholding and sales tax revenues that is projected to continue into fiscal 2009.
- The increased April revenues were based on 2007 circumstances, which we know have changed dramatically.



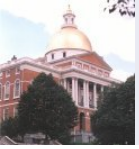
Spending Controls

- Transfer Controls – Limiting the approval of requests for transfers between accounts and subsidiaries.
- Encumbrance Deadline – Setting an earlier deadline for encumbering available funds.
- Accounts Payable Extensions – Prohibiting extensions of the accounts payable period past August 30, 2008 to expedite the closing of FY08 transactions.
- Employment vacancy monitoring – Wherever possible, agencies are asked to avoid filling vacancies for the remainder of the year.
- No payments will be made that could result in federal reimbursements being deferred.
- No requests for supplemental funding will be approved beyond what has already been acknowledged for the year.



FY09 House Final

- On April 16th House Ways and Means presented a \$27,986 B FY09 budget proposal – \$88 M less than the Governor's FY09 budget recommendation (after adjusting for the revenue and spending adjustments tied to his County Sheriff reform legislation).
- During budget deliberations the House added \$205 M to this plan through adopted amendments.
- The “House Final” budget appropriated approximately \$28,191 B for FY09 – \$117 M more than the Governor's FY09 budget recommendation (once again adjusting for the County Sheriff reform bill).
- The additional spending is supported by a \$412 M transfer from the Stabilization Fund, which is an increase of \$183 M over what was originally included in the House Ways & Means budget proposal.



FY09 Senate Budget

- Senate FY09 Proposal – analysis pending the release of the Senate budget which we expect will be on Wednesday, May 14th, with an amendment deadline of 12:00 pm Friday, May 16th.
- Based on this timetable we have requested that agencies submit proposed amendments to ANF and the Government Affairs Office by 10:00 am on Thursday, May 15th.
- ANF staff and the Government Affairs Office look forward to working with agency legislative directors and staff during the review, filing, and floor debate process.



FY10 Planning

- Key Dates:
 - By the Week of July 21 - Spending Plans Released.
 - September 12 - Spending Plans Due.
 - No later than November 14 – FY09 Spending Plans Approved.
 - Ultimate goal of filing Governor Patrick's FY10 budget recommendations by January 28.
 - GAA Load will be 3-4 days after signing budget; Initial Allotment will be 25%.
 - Please note that we will be using the existing excel based budget application for FY10 spending plans.



Lonsdale Koester

MASS Goals Project Director

MassGOALS



May 2008

Government Outcomes to
Achieve Long-term Success

Purposes of MassGOALS

- A simple ***performance management*** system to help the Patrick Administration achieve better results for individuals, families and communities
- Better results *broadly* across government via:
 - Transparency
 - Accountability
 - Follow-up
 - Improved decision-making
- Deliver *specifically* on the Governor's priorities

How MassGOALS Works

- Organized around statewide results
- Clear and simple reporting on outcomes
- Quarterly reports to Governor and senior officials on all results
- Regular cross-Secretariat “Working Sessions” with the Governor focused on Patrick Administration priorities

Operational Elements

- Define the Desired Results
- Establish Measures
- Report Progress
- Quarterly Reports to and Working Sessions with the Governor
- Learning, Action Items and Follow-up
- Review & Report Progress Again

9 Statewide Results

Affordable Housing

All residents have full and fair access to desirable, affordable housing near the places they work, shop, play, and come together as a community.

Civic Engagement

Citizens are active participants in government and in their communities.

Clean Energy & Environment

The Commonwealth's environment is conserved in a robust and sustainable economy through natural resource management and the promotion of energy efficiency and clean energy.

9 Statewide Results (continued)

Effective Government

Constituents trust that their leaders are working together and accountable for delivering high-quality, efficient government services that people want.

Efficient Transportation & Mobility

People and goods move reliably, conveniently, and safely throughout the Commonwealth.

Job Creation & Economic Growth

Massachusetts enjoys a robust business climate, with a workforce well-prepared to take advantage of employment opportunities throughout the Commonwealth.

9 Statewide Results (continued)

Safe Communities

People feel safe where they live, work, learn and play.

Quality, Affordable Health Care for All

Citizens enjoy greater wellness and improved health and have access to quality, affordable health care.

World-Class Education

The Commonwealth's youth and adults have access to the education they need in order to be successful students, workers and members of society.

Performance Measures

- Related to our defined results
- Describe how well we are doing
- Defined in terms that people care about and can easily understand
- Represent a range of influence
 - Activities and programs we control directly
 - Some results that we influence only indirectly
 - A few general, macro-economic indicators

Quarterly Review Cycle

- MassGOALS liaisons at each Secretariat collect data for relevant measures, submit to MassGOALS team
- MassGOALS project manager drafts report
- MassGOALS team (A&F analysts and Governor's staff) review data, provide analysis, questions, recommend focus areas and action
- Report and briefing materials revised with agency input
- MassGOALS project manager, A&F and Governor's staff, and Secretariat liaisons discuss final materials
- Briefing materials distributed to Governor, others

Report Content

For each measure related to the overall result:

- Relevant data points from past, current performance
- Comparison to performance targets and benchmarks, where available
- Narrative analysis of current performance
- Discussion of recent activity and impacts
- Analysis of major barriers to better performance; top opportunities for improvement
- Suggested action items

Governor's Working Sessions

- Chaired by Governor, attended by Cabinet Secretaries, commissioners, other senior staff
- Concentrate on key priorities
 - 1 hour meeting on 6 of the 9 results per quarter
 - Focus on a handful of measures at each meeting
- Review results and other information from report
 - No formal presentations, not “show & tell”
 - Candid conversations, not “gotcha”
- Collaboratively decide actions for improvement
- Focus on results - not on other business

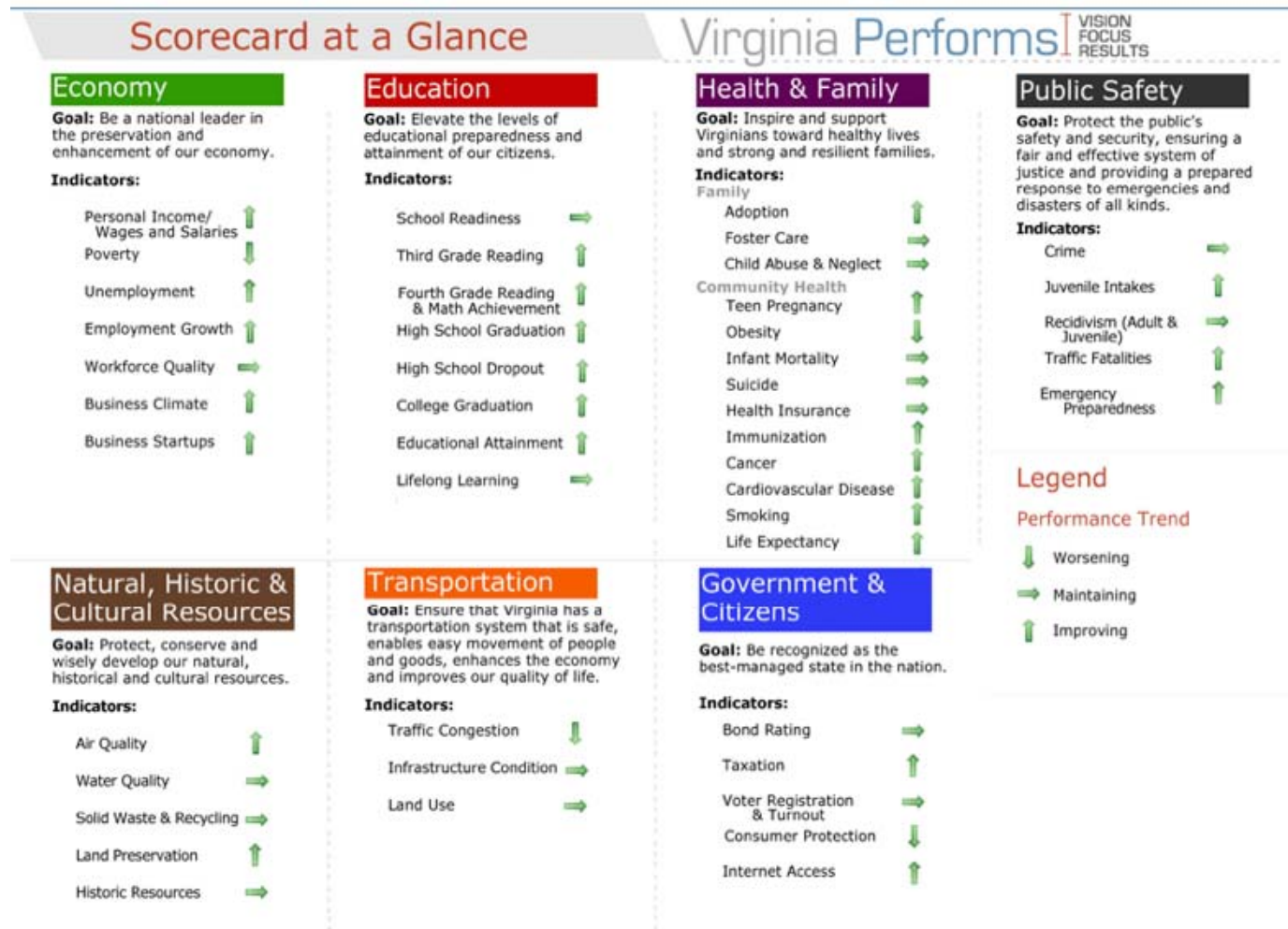
Action Items & Follow-Up

- Required for all results, not only those with Working Sessions
- Specific about what we're going to do to improve results – Who? How? When?
- Engage the help of A&F support agencies and Governor's Office
- Action items tracked on a “task list” database managed by MassGOALS staff
- Report on follow-up activities next quarter

How We Will Show Results Publicly

- Talking about results as part of daily business:
 - Speeches
 - Events
 - Press releases
 - Hearings
- Working together with key partners:
 - Public employees
 - Constitutional officers
 - Legislature
 - Quasi-public authorities
- Civic Engagement
 - Soliciting feedback and ideas online, in public forums
 - Public-facing dashboard on Governor's website

Sample Dashboard - Virginia





Eric Berman

Deputy Comptroller



Appropriation Management

- Quick reminders
 - Budgetary transfers must be completed by June 13th
 - Irregular balances (including those in retained revenue accounts) must be cleared by June 30th
 - Federal grants – September 30th
 - Includes negative uncommitted, unexpended balances
 - Includes accrued cash
 - Expiring capital accounts – if not reauthorized by July 1st, all activity must cease



Appropriation Management

- Expenditure refunds must be completed by July 3rd
- Balance forward process begins on or about July 18th for capital and trust accounts
- Expenditure corrections must be completed by August 29th



Cash / Receivables / Investments

- All cash received on or before midnight on June 30th is considered FY2008 revenue cash must be deposited by noon on July 1st
- All cash received on or after July 1st is considered FY2009 revenue
- The RE Roll on July 5th will move open REs from FY2008 into FY2009
- Investment Policy



Statutory vs. GAAP Receivables

■ Statutory Receivables

- Receivables due from a governmental body that are related to expenses incurred on or before June 30th and collected by August 31st

■ GAAP Receivables

- Receivables that are related to expenses incurred on or before June 30th, collected after August 31st and are measurable



Revenue Source Code Project

■ Goals

- Establish in partnership with departments a framework for all revenue sources
 - Clearly identify the authority to collect revenue
 - Consolidate duplicative source codes
 - Eliminate obsolete or superseded codes
 - Define a process for the establishment of new codes
 - Enhance predictability of revenue streams

PCI Data Security Standard

- Multifaceted security standard that includes requirements for security management, policies, procedures, network architecture, software design and other critical protective measures





PCI Data Security Compliance

- Two vendors have been chosen
- All task orders must be approved by OSC to facilitate scheduling
- 15 departments are close to final
- All departments must be compliant otherwise no credit card acceptance



PCI Data Security Compliance

- Before task order is signed, prepare
 - Credit card data flow and business flow diagrams
 - List of outward facing IP addresses where credit card data flows
 - Self assessment questionnaire at <https://www.pcisecuritystandards.org/tech/instructions.htm>.



E-Pay

■ The Concept

- Collect revenue electronically instead of via traditional channels

■ The Opportunity

- Improve customer service and satisfaction (24/7 availability)
- Enhance cash flow (↑timely deposits, ↓bounced checks)
- Increase efficiency (↓manual processing, ↓errors)



E-Pay

- The Potential
 - Reduce aggregate costs
 - Facilitate redeployment of resources to other work
- The Issues and Obstacles
 - Identify and secure funding for the transaction costs
 - Attain Payment Card Industry (PCI) Compliance



The Federal Grant & Cost Accounting Bureau

■ Federal Grant:

- Provide guidance to the Federal Grant Processes for both Automated Central Draw and Non-Central Draw grants
- Provide guidance to the Federal Highway Billing Process
- Provide project management assistance DCAM



Federal Grant & Cost Accounting

- Cost Accounting:
 - Prepares and negotiates federal approval of the Statewide Cost Allocation Plan (SWCAP)
 - The Schedule of Expenditures of Federal Awards (SEFA)
 - Fringe Benefit Rate
 - Payroll Tax Rates
 - Departmental Indirect Cost Rate Rates
 - Manages the MMARS Cost Allocation Process, and automated monthly chargebacks



A reminder on reconciling federal grant draws

- To research the results of your weekly draw request:
 - Review the CMIA WEEKLY DRAW STATUS REPORT located on the CTR website, under the Federal Grant and Cost Accounting business function tab (or)
 - Query the dbo_M_R_Draw_History table to pull the results of a draw cycle and provide whether a draw was successful and if not, the reasons for the rejection of the draw



A reminder on reconciling federal grant draws

- **Develop remediation plan for rejected draws:**
 - Review all rejected draws on a weekly basis and develop a remediation plan in consultation with the CTR Federal Grant Unit
 - All FY2008 rejected grant draws must be cleared by 9/30/2008



Funding Federal Grant Expenditures

- General Laws Chapter 29 § 26
- Departmental involvement with grants
 - Ensure that revenue for all federal grants is sufficient to make expenditures from appropriations approved by the General Court
 - Revenues and balance forwards **must** equal expenditures by fiscal year end



Reconciling FY2008 Negative (Irregular) Unexpended Balances

- All FY08 irregular balances must be resolved no later than October 31, 2008 (final draw 9/30/08)
- Coordinate with the CTR Federal Grant Unit to take the necessary steps to collect all the revenue that is associated with their FY2008 expenditures or to ensure prior fiscal year Budgetary Balance Transfer(s) are resolved
- If the Federal Grant Appropriations account remains in an "unfunded" status after the deadline the Comptroller reserves the right to prohibit any further spending from the appropriation account



BQ89 Balance Forward Process

There will be only one Balance Forward Process for 4FN appropriations which will take place at the end of the Accounts Payable Period

<i>BFY</i>	<i>2007</i>	<i>2008</i>
<i>BEGINNING BALANCE</i>	0.00	250.00
<i>COLLECTED REVENUE</i>	10,250.00	750.00
<i>TOTAL EXPENSES</i>	10,000.00	1,000.00
<i>BALANCE FORWARD</i>	250.00	0.00
<i>UNEXPENDED AMOUNT</i>	0.00	0.00



Treasury-State agreement (TSA)

- The Cash Management Improvement Act (CMIA) provides the general rules and procedures for the efficient transfer of federal financial assistance between the federal government and the states
- Each year, the Commonwealth enters into a Treasury-State agreement (TSA) with the U.S. Treasury



Treasury-State agreement (TSA)

- All federal programs that expend more than \$30M during the previous fiscal year must be included in the annual TSA
- OSC coordinates the development and submission of the TSA on your behalf to US Treasury
- Must be filed by July 1, 2008
- Recertification process happening NOW

Recovery of Fringe Benefits, Payroll Taxes and Indirect Costs



- Administration and Finance Bulletin No 5,
Recovery of Fringe Benefits and Indirect Costs
 - Fringe benefits, payroll taxes and indirect costs on all Federal grants and non-budgeted special revenue and trust accounts must be budgeted
 - **To avoid negative balances, departments must ensure that fringe benefits, payroll taxes and indirect costs are adequately budgeted for assessable expenditures**

Recovery of Fringe Benefits, Payroll Taxes and Indirect Costs



- Accounting Period 12 MMARS Cost Allocation Process, automated monthly chargeback will be run on July 12, 2008
 - All rejected CA's (periods 1 -12) must be processed to done by July 31, 2008
 - Departments will be notified of all the rejected CA's



Recovery of Fringe Benefits, Payroll Taxes and Indirect Costs

- Accounting Period 13 MMARS Cost Allocation Process, automated monthly chargeback will be run on September 6, 2008
 - All rejected CA's (Period 13) must be processed to final by September 12, 2008
- CTR will perform a Periods 1-12 reconciliation of all charges beginning on July 14, 2008
 - The reconciliation of the **fringe benefits, payroll taxes and indirect costs** is required by the Single State Audit



Federal Grant Close Open Meeting

- **Specifically for Federal Grants for FY2008/2009**
 - Thursday, June 5, 2008, 9:30 AM - 12:30 PM, One Ashburton Place, 21st Floor, Boston, MA
- **Focus**
 - Reconciliation
 - Correction of negative balances
 - Cost allocation
 - Set up of automated and non automated central draw
- **Target audience**
 - All federal grant department staff involved in oversight, administration or processing
- **Please register for this meeting through the CTR Training and Meeting Schedule**



A few items on financial reporting

- GAAP packages due back by August 4th
- Higher education guidance will include emailed spreadsheets by school of FY07 results – FY08 must be filled in and returned in stages
 - Federal grant SFA information, fixed asset additions, disposals changes and transfers by July 11th
 - All other financial information by October 15th
- All Fixed Asset transactions must be done in MMARS by July 11, 2008
 - Any FY2008 transactions processed after July 11, 2008 will be recorded as FY2009 activity
 - Higher Education DCAM cutoff will be 7/31



A few items on financial reporting

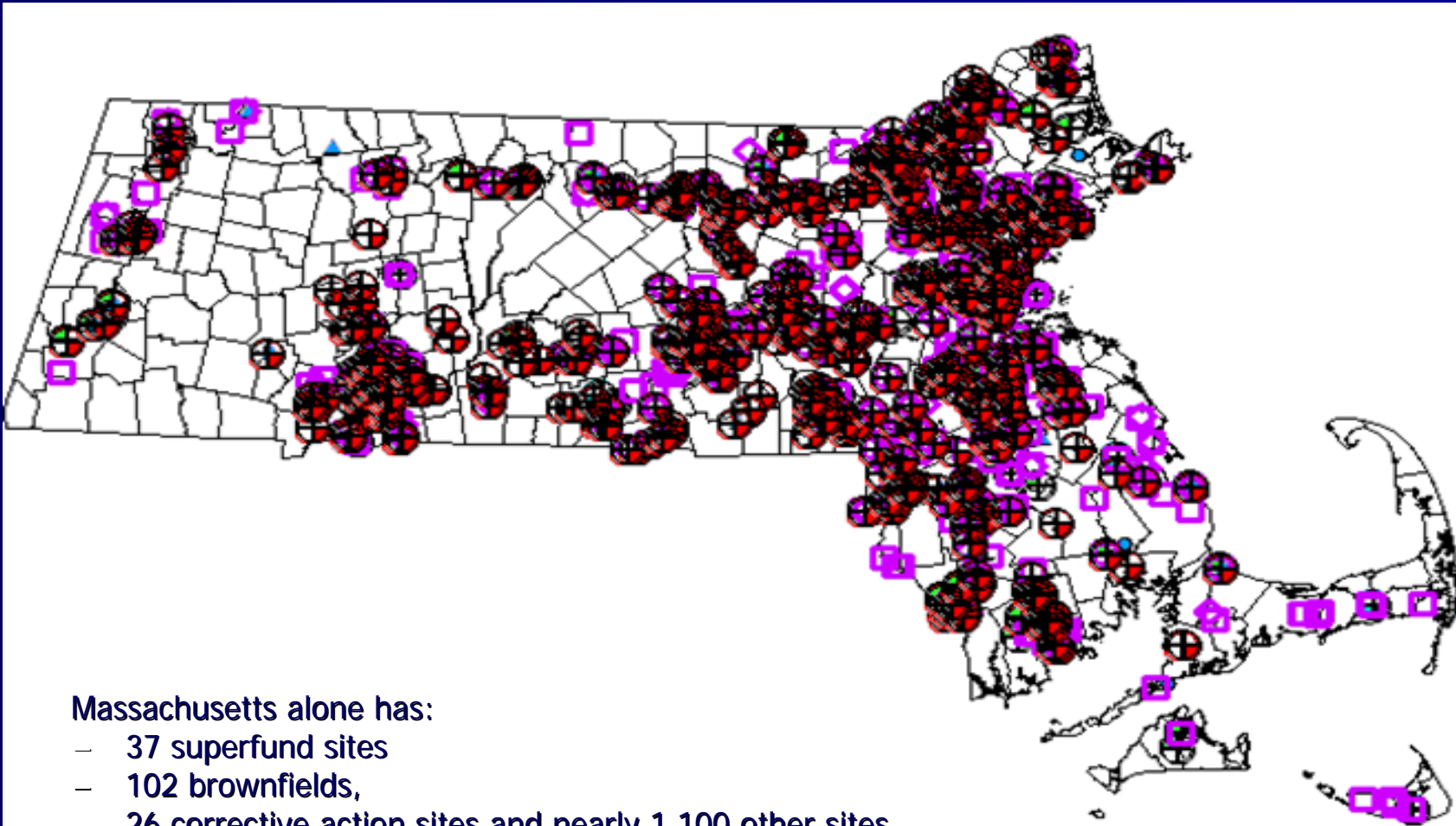
- The Commonwealth will be implementing pollution remediation accounting standards as of July 1, 2008 (FY09) – new accounting for costs
 - DEP / ENV heavily involved, however, other departmental information may be needed if one of the following occurs:
 - The Commonwealth is compelled to take pollution remediation action because of imminent danger
 - The Commonwealth violates a pollution prevention – related permit or license



A few items on financial reporting

- The Commonwealth is named, *or evidence indicates that it will be named*, by a regulator as a responsible party or a *potentially responsible party* for remediation, or as a government *sharing responsibility for costs*
- The Commonwealth is named, *or evidence indicates that it will be named*, in a lawsuit to compel participation in pollution remediation OR
- The Commonwealth commences or legally obligates itself to commence pollution remediation

How Widespread is Pollution in Massachusetts?



Massachusetts alone has:

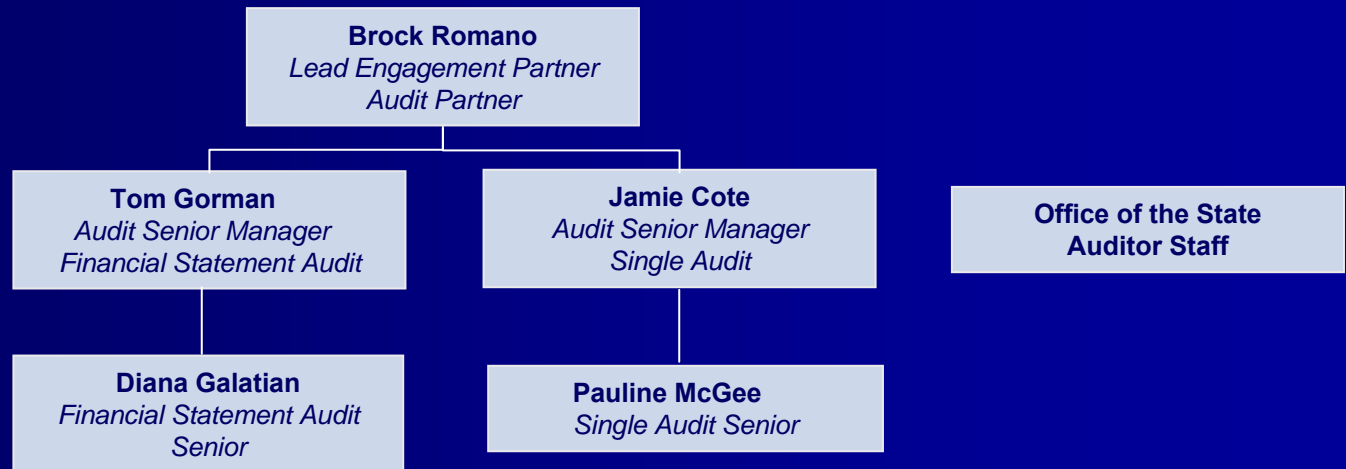
- 37 superfund sites
- 102 brownfields,
- 26 corrective action sites and nearly 1,100 other sites

Source Mass GIS



Commonwealth Single Audit Team

Commonwealth of Massachusetts – Selected Engagement Team Members



KPMG Staff and Women- and Minority-owned Business Enterprise Subcontractors:

KPMG Staff:

Smith Utubor
Michael Ahlstedt
Jennifer Bernardi
Xiao-Jin Ruan

Matthew Griffin
Jason Kirby
David Sorman

Subcontractors:

Susan Perna-Damon
Mike Mascio
Daniel Dennis & Co




Audit Timeline - What to Expect

Entrance Conferences (May/June)

- Comptroller's Office will coordinate
- Schedules to be prepared by client (PBC)
- Review of sample sizes and selection of sample items
- Logistics

Interim Field Work (June/August)

- Understand key business processes
- Internal control documentation and testing
- Test selected transactions
- Discuss and resolve audit observations



Audit Timeline - What to Expect

Final Fieldwork (September/November)

- Finalize testing of transactions and accruals
- Discuss and resolve audit observations
- Financial reporting
- Issue opinions



Joan Shea

Deputy Comptroller



21st Century System Capabilities

- Financial operations involve on-line transaction processing
- Dept heads delegate fiscal tasks to their staff
- Broad system access involves risks that must be managed
- Segregation of duties and review of work processed is key to control of State resources
- Systems speed up processing but also make sensitive data more accessible



21st Century System Capabilities

- A key contact for each department is its security officer (DSO)
- Dept Heads alone can delegate oversight to DSO
- DSO manages security for enterprise systems
- Organization and individual duties change over time
- Review of system access is key to assuring that security reflects current responsibilities



Security Practices

Best Practices

- Review of systems security is key to assuring that access reflects current responsibilities and changes in personnel
- Force user password changes with system enforced structure
- System enforced structure increases security



Security Practices

MMARS Access

- DSO requests in writing to CTR Security Unit
- Periodic security reports sent to DSO's for review (previously quarterly)
- User password must be changed every 60 days



Security Practices

MMARS Access

- DSOs review reports & initiate changes when appropriate
- Last year, MMARS reports sent to Dept. Heads to confirm access
- Volume of changes imply that reports were being analyzed



Security Practices

Other Enterprise Systems (HRCMS/CIW):
DSO uses on-line system (Intempo) to
direct user access

– HRCMS

- User password must be changed every 60 days
- DSOs can review user access but a standard report was not available for management review
- New HRCMS security report available in DOC Direct



Security Practices

Other Enterprise Systems (cont.)

– CIW

- System does not require or support user password changes
- DSOs could review user access but standard report not available
- New CIW security report available in Doc Direct



Data & Systems Security

- Automated systems speed up processing of transactions
- Automated systems make sensitive data more accessible
- Department fiscal staff process on behalf of senior managers



Enterprise System Security Review

Policy Expanded

- Policy to address security for all enterprise system
- Financial stewardship and data confidentiality require comprehensive review of an individual's access
- Doc Direct reports available to support this review
- Two written certification of user access
 - Spring: Dept Head approval as part of Open/Close
 - Winter: DSO confirmation of user access as reflecting senior management authorization



Dept Security Officer Briefing

- Two sessions on May 21
- Review of enterprise policy
- Overview of security reports
- Walkthrough of procedures and documentation requirements

Browser & Operating System Upgrades



■ IE7 Upgrade

- MMARS cannot handle IE7 until 3.7 upgrade in the fall
- HRCMS cannot handle IE7 until it is upgraded (schedule TBD dependent on bond bill)
- VISTA – problematic for three reasons
 - IE7 is standard
 - ODBC drivers do not work with new CIW platform (Netezza)
 - Not supported by ITD



Customer Service Survey

- Annual review of CTR offerings
- Two assessment surveys this year
 - Management information for departments
 - Input from users



Kathy Sheppard

Deputy Comptroller



Areas of Interest

- Quality Assurance
- Payroll / LCM
- Accounts Payable
 - Contracts
 - Retained Revenue
 - Credit Memos



Quality Assurance

- FY08 Internal Control Questionnaire
 - Reformatted
 - New Sections
 - Department Compliance for Financial Operations
 - IT Controls and Data Security
 - Streamlined Questions
 - Improved analysis tool
 - Due May 15th 2008



Quality Assurance

- Internal Control Workshops
- Goal:
 - to have effective IC Plans in place using CTR guidelines = summarized; all program areas included

Dept options for Workshops:

- Senior level management signs up / attends a workshop
- DAB/QAB planning a Western MA training session, willing to schedule other regional trainings
- If you get your senior staff together, CTR will come to you



Payroll Management

- PRRV processing is not just a year end activity
- May 30th - LCM Rules Roll (POAA)
- Split Week Payroll will split 60% for FY2008 and 40% for FY2009
 - Wednesday July 9th MMARS is expected to be available by 1 p.m.



Payroll Management

- Payroll Holds – are work flowed to help ensure proper set-up
- Policy to encumber funds for Accounts Payable remain unchanged
 - 3 A/P Payrolls are scheduled to run
 - July 22nd
 - August 5th
 - Final - August 19th



Payroll Management

■ Holding Paychecks

- Goal is to make sure all payroll is funded prior to payroll processing.
- FY08 has been a good year!



Accounts Payable

- Contracts
 - Closing Highlights
 - Opening Highlights
- Payments
 - Closing Highlights
 - Opening Highlights



Encumbrance Management / Closing

■ Finalizing FY08 Contracts

* THE GOAL - NO Late Encumbrances

- Executive Branch Departments' encumbrances after May 23 \geq \$25,000 need to be approved on the ANF platform
- Review all active encumbrances to conclude year end – June 13th finalize routine FY08 encumbrances: all transactions, all fund types
- For Encumbrances last day to process FY08 business is Monday June 30th



Encumbrance Management / Closing

■ Encumbrance Corrections

- CEC / GAEC referencing an ER deadline Friday August 29th (the ER must be submitted by Thursday July 3rd)
- CEC / GAEC / PRN Event type PR22 must be offset by Monday July 28th
- CEC / GAEC to correct encumbrance and Zero dollar event type PR20 deadline is Friday August 29th



Encumbrance Management / Closing

Contract Extensions

- Take the time to review contracts now
 - Once a contract terminates, new performance must stop
 - A contract may not be “revived” retroactively back to the termination date



Encumbrance Management / Opening

- May 28th – All Contracts with Out-Years must be entered/modified in MMARS to be included in the Roll June 1st
- May 29th & 30th – Suspend Dept ability to enter, edit, validate, submit RQS, RPO, PC and CT transactions



Encumbrance Management / Opening

- Contract Rolls
 - Out Year Roll
 - Scheduled for May 31st and June 1st
 - Unspent Roll
 - Scheduled August 30th
 - Capital, Trust and Federal Fund types




Encumbrance Management / Opening

- Monday June 2nd – MMARS officially Opens for FY 2009 Pre-Encumbering and Encumbering

Encumbrance Management / Opening



- ISA's are contracts too! And can be executed based on House I
- Multi Fiscal Year ISA
 - There will be an auto load by ANF with \$0 May 12th / 13th on behalf of Departments
 - Dollars will load in early June



Accounts Payable Management / Closing

■ Retained Revenue

- June 1st – Accounts that have Legislative designation to “spend in anticipation of receipts” will have edits returned to standard configuration. Exception processing requests should be e-mailed to me by an authorized signatory



Accounts Payable Management / Closing

- Prior Year Deficiencies
 - The deadline for FY08 encumbering is June 30th
 - No late encumbering – July 1st will be considered FY09 PYD



Accounts Payable Management / Closing

- Advances – should be closed by July 3rd without an acknowledged exception
- Accounts Payable Payment Requests
 - If no invoice is received by August 15th refer to the Close/Open instructions on Final Payment procedures



Accounts Payable Management / Closing

- Friday August 29th – Last day to submit payment request transactions to final
- Accounts Payable Extensions
 - None



Accounts Payable Management / Opening

- Interim Budget
- Department - New, Closing, Consolidating
- Expenditure Classification Handbook
 - 1 New Object Code – AA1
 - Minor Edits



Accounts Payable Management / Opening

- Credit Memos
 - CEC
 - GAEC

- Vendor Receivables Audit



Accounts Payable Management / Opening

- Credit Card / Purchase Card Program
 - Bank of America
 - New cards will be issued around July 1st



Accounts Payable Management / Opening

- Executive Advisory Program
 - Areas of Information
 - Purchase to Pay
 - Payroll
 - Customer to Cash
 - Financial Shared Service
 - Account to Report



Key Dates

- May 23 Load House 1
- May 23 ANF - Encumbrance Deadline
- May 31 Out-Year Contract Roll
- June 2 FY09 MMARS opens for encumbering
- June 30 Final day to receive FY08 goods/services
- July 1 Cash cutoff – 2008 revenue must be deposited by noon



Key Dates

- July 8 Split Year Payroll Runs
- July 9 MMARS unavailable in a.m.
- July 18 Balance Forward begins
- August 19 Last Accounts Payable Payroll Runs
- August 29 FY 2008 Accounts Payable Period ENDS
- August 30 Contract Unspent Roll (Federal, Trust & Capital)
Lapse FY2008 Encumbrances